U.S. Army Materiel Command
Logistics Enterprise Integration

Exchange Pricing

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Introduction

- **Purpose: Provide Status on the Exchange Pricing (EP) Implementation Effort**

- **Agenda:**
  - Background and Why Exchange Pricing
  - Task and Deliverable
  - The Solution Design
  - Implementation Approach
  - Next Steps
  - Current Working Issues

Background

"Highly visible to OSD and Army Staff"

- PBD 422 directed Army to implement Exchange Pricing - 11 Dec 01
- PBD 704 directed Army to pursue EP in conjunction with the Business Enterprise Architecture (BEA) **(formerly the Financial Management Enterprise Architecture (FMEA))** and directed Army to provide an implementing plan - 10 Dec 02
- ASA(FM&C) requested AMC to submit a plan by 30 Apr 03 - 24 Jan 03
- DALEI contracted AT&T Government Solutions, Inc to conduct study for FY05 implementation - 6 Feb 03
- EP Study approved by Exec Dep to AMC CG, ADASA (Budget), ASA(FM&C), & OUSD(C) – May 03
- Received FY 03/04 funding – Jun 03/Oct 03
- Executed EP/LMP Modernized Services Task Order – 9 Jan 04
- Conducted EP IPT Kickoff Session – 12 -14 Jan 04

Task and Deliverables

ASA(FM&C) Memo, Army Exchange Pricing Implementation Plan, 24 January 2003:

- **Develop and submit a plan by 30 April 2003**
- **Use latest available technology**
- **Ensure compatibility with the requirements of the Business Enterprise Architecture (BEA)**
- **Identify the total costs by system**
- **Include return on investment and payback period (if applicable)**
- **Include specific relationships with Single Stock Fund and LMP**
- **Evaluate the Navy and Air Force systems**

Tasks correspond to requirements in PBD 704

Why Exchange Pricing?

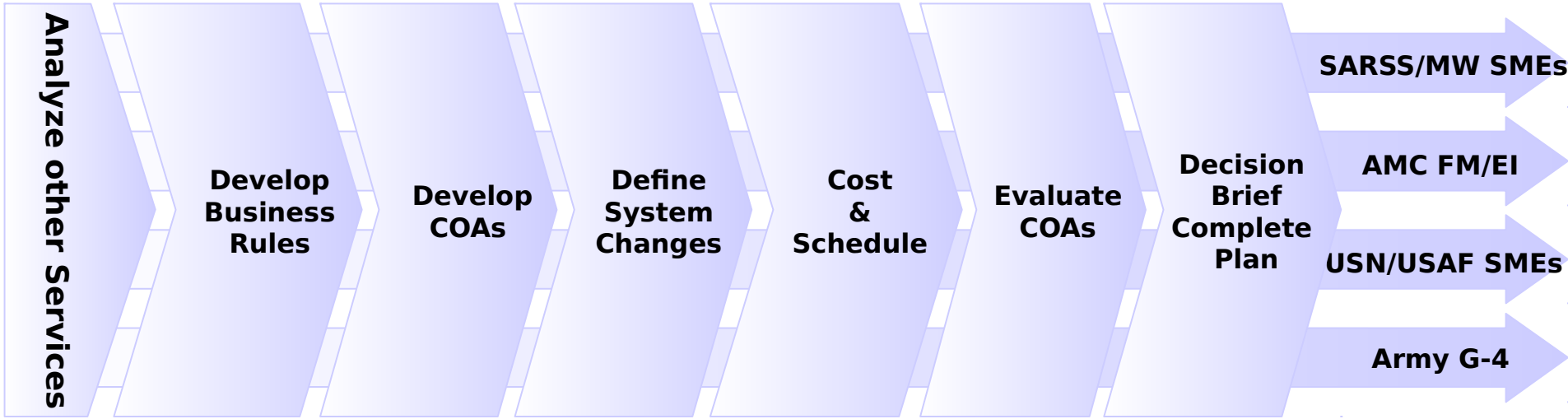
Exchange Pricing is a business process improvement mandated by the Office of the Secretary of Defense (Comptroller) to mitigate the financial problems the Army has experienced with granting excess credit through its current s

Objectives

- Eliminate unserviceable credit
- Establish a dual pricing system to include an EP for nationally required NSN, and a Standard Price for all other items
- De-link the cost of reparable Class II and IX items from the current Army credit program
- Gain visibility of Army Managed Items (AMI) O&M SSA stock
- Incentivize timely return of unserviceable . . . thus enhancing readiness; changing focus, manage maintenance vice credit

Basic Approach

berate, collaborative, proven approach that works!



Agency Proponents
- ✓ASA(FM&C)
- ✓Army G-4
- ✓AMC G-3
- ✓AMC G-8
- ✓DALEI
- ✓MACOMs

Army community fully engaged!

The EP Solution

Systems must:

- ☑ Track Returns
- ☑ Match Returns to Sales
- ☑ Trigger Bill

Task Order

Exchange Pricing Business Rules

System Changes

Logistics Modernization Program

Functionality:

- EP for LMP direct customers minus DS/RX
- Customer Return Tracking (Includes DS/RX)
- Financial Triggers
- Management Reports

SARSS/MW-FCM/ODS

Functionality:

- EP Pricing
- Obligation/Accrual
- O&M MCN/NAMI DS/RX

- ☑ DA & OSD approved concept – May 0
- ☑ LMP task order awarded – 9 Jan 04
- ☑ Project Preparation began 12 Jan 04

- Fits the Landscape Architecture Study
- EP functionality more readily integrated into FLE & BEA
- LMP solution set supports both SARSS and LMP supported customers
- LMP functionality readily transferable to GCSS Army
- EP tracking and management validated in ERP environment before migration to GCSS Army

4 Phased Implementation Approach

Phase 4 (Nov 05 – Apr 06)

Army—wide Fielding ~Nov 05

Train and Field
- **Develop Sequence of Events**
- **Conduct training and fielding**
- **Gather metrics data**

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- System Integration Test -- 4 months (two 6 wks cycles)
- Lead Site Verification Test -- 5 months (2 phases)
  - 1 CTASC – Apr 05
  - ARNG/CONUS CTASC – Jul 05
- Army-wide fielding -- remaining 10 CTASCs in groups of 3-4

Phase 3 (Jan 04 – Feb 05)

System Modification & Testing
- **Make program changes by system**
- **Conduct SIT (~Oct 04) & Lead Site Verification (~Apr 05)**
- **Conduct metrics test & evaluation**

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Phase 2 (Nov 03 –Mar 04)

We are here

Process Reengineering
- **Develop new supply-finance interface/reconciliation process**
- **Develop conversion procedures**
- **Develop software requirements & ECPs**
- **Conduct SITWG/build SIT Test Cases**

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Phase 1 (June – Dec 03)

Program Planning and Requirements Determination
- **Develop Business Rules and Implementing Procedures**
- **Develop detailed requirements and process flows**

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Next Steps

- **Continue Project Preparation & EP Phase 2 - Process Reengineering**
  - Validate SAP implementation execution approach
  - Develop project plan for Business Blueprint
  - Develop Initial Engineering Change Proposals & Detailed Functional Descriptions
  - Develop Training Strategy
  - Draft Implementation & Conversion Plan
  - Test Evaluation Master Plan & Metrics Plan
  - Continue monthly Integrated Testing/In-Process Reviews - - Requirement Determination & Process Flows
  - Continue bi-monthly System Integration Test Working Group meetings
  - Continue Army-wide involvement

Current Working Issues

- Monitor resource execution to ensure no impact of LMP stabilization
- Government Subject Matter Experts availability
- Fielding Concept – Schedule and type of fielding (i.e. simultaneous or sequential)
- Policy issues:
  - New Army credit policy from ASAFM&C for EP
  - Clarification on O&M fund repair of AWCF assets
  - Process to request exemption from penalty for Special Repair Programs
  - Process and procedures for resolving management report discrepancies

Bottom-line: Program plan, funding, & LMP task order in place. Will closely monitor to ensure no impact on LMP stabilization efforts.

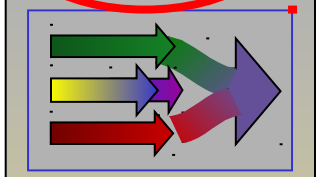
BACKUP

Specific Relationships with Single Stock Fund

The SSF Vision- Jan 02 --- Phased Campaign Plan

The Objective

- **A Single, Seamless Logistics and Finance Process, Supported by Seamless Automation**

	FY00 Pre-SSF	FY01 Milestone 1&2	FY02/03 Milestone 3	FY04/05 Objective Milestone 3
National Wholesale Stock Fund MACOM	**National Inventory Control Points** •Depot Stocks •Depot Maint	**Merged Retail & Wholesale Stock Funds, also capitalized O&M retention stocks** •Eliminated 49 Retail Stock Fund Ledgers •Capitalized $489M •$451M WCF stocks •$ 38M O&M retention stocks	**Will Convert:** •Approximately 380 Tactical SSAs •Approximately $700M Link Tactical Log to National Supply DS/RX	 **"Incorporate All O&M Stocks Above PLL/Shop Stock in SSF"**
	Theater/Installation •Theater Retention •DOL/ASG •Nat'l Maint Mgt (IRON) •ISM & GS/RX •FRA •SRA	AWCF	AWCF	AWCF
Retail Stock Fund O&M	**Tactical Unit** •Corps Retention Stocks •Div ASL •Non-Div ASL •DS/RX	•Converted 55 Sites **Tactical Unit** •Corps Stocks •Div ASL •Non-Div ASL •DS/RX	O&M	O&M
	Unit PLL & Shop Stock	Unit PLL & Shop Stock	Unit PLL & Shop Stock	Unit PLL & Shop Stock

- Primarily Legacy Automation Environment
- Pricing Structure - Buy at Full AMDF Price

Chapter 1 Implementation Plan

- Modernized Automation
- Exchange Pricing

EP Overview

Key Components:

- **Establish an EP for nationally required NSN with MRC = H, D, L, and F**
- **Standard Price (SP) for all other items**
- **No unserviceable credit for Army customers**
- **If carcass for EP item is not returned within 60 days of requisition issue date, charge Delta (SP-EP)**
- **Serviceable Exchange Price Return (SEPR) for serviceable EP items turned in = EP – surcharge**
- **Serviceable credit rate for SP items turned in = established**

Objectives:

- **De-link cost of reparable from current Army credit programs**
- **Dual pricing system - - EP for nationally required NSNs, SP for all others**
- **Eliminate unserviceable credit**
- **Capitalize AMI O&M stock; NAMI, DS/RX & MCN assets stays in O&M environment**

Changing Environment

Today

Circuit Card

Standard Price: $129

Unserviceable Credit: $66

Serviceable credit: $100

Electronic Control Unit (M1A1)

Standard Price: $3669

Unserviceable Credit: $1448

Serviceable credit: $2988

EP without direct exchange/repair exchange

Moving away from a credit environment

EP with direct exchange/repair exchange

Commands continue to be funded for piece parts & washouts

Tomorrow

Circuit Card

Standard Price: $129

EP Price: $63

EP△ : $66 (No Return)

Serviceable Credit (EP minus Surcharge): $34

Electronic Control Unit (M1A1)

Standard Price: $3669

EP Price: $2221

EP△ : $1448 (No Return)

Serviceable Exchange Price Return (EP - Surcharge): $1540

Changes & Benefits

Changes	Benefits
Establish a dual pricing system to include an EP for nationally required NSN, and a SP for all other items	Upfront billing means the command's buying power no longer cached in 7-day turnaround from time of turn-in to posting of credit in financial system III Corps averages $7.5 mil in buying power tied up in credit pipeline
Provide a process to track transactions based on EP business rules Issue & turn-in no longer have to be within same SARSS 2A to match. Issue of prime and turn-in of sub will no longer result in mismatch.	• Near real time visibility of EP & DS/RX transactions by DODAAC & NIIN • Reduced reliance on materiel manager to resolve unmatched issues & turn-ins • Visibility of potential "Delta" bills results in a more disciplined system for returning carcasses to the supply & maintenance systems • Incentive of full purchase price refund for return of serviceable DS/RX items to stock can potentially reduce backorders & improve readiness
Eliminate unserviceable credit	Estimate 78% reduction in credit transactions – resulting in fewer financial transactions to process & reconcile
Capitalize AMI O&M DS/RX stock; maintain NAMI DS/RX & MCN assets in O&M environment	Extend National level visibility of AMI DS/RX for requirements determination DS/RX still a commander's readiness program, but now supported by national manager as well